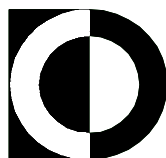


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## DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED

東瑞製藥（控股）有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of Dawnrays Pharmaceutical (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “period”) together with the comparative figures in 2021. These interim results have been reviewed by the audit committee of the Company.

#### FINANCIAL HIGHLIGHTS

Unaudited	For the six months ended 30 June		
	2022	2021	Change
Revenue (RMB'000)	<b>623,478</b>	608,589	2.4%
Gross Profit (RMB'000)	<b>392,278</b>	373,091	5.1%
Gross Profit Margin	<b>62.9%</b>	61.3%	1.6percentage points
Profit before tax (RMB'000)	<b>225,591</b>	211,082	6.9%
Profit for the period attributable to owners of the parent (RMB'000)	<b>171,661</b>	166,646	3.0%
Net Profit Margin	<b>27.5%</b>	27.4%	0.1percentage points
Earnings per share – basic (RMB)	<b>0.11456</b>	0.11127	3.0%
Interim dividend per share (HK\$)	<b>0.015</b>	0.015	-
Net asset value per share (RMB)	<b>1.662</b>	1.486	11.8%

\*for identification purpose only

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
	Notes		
<b>Revenue</b>	3	<b>623,478</b>	608,589
Cost of sales		<u>(231,200)</u>	<u>(235,498)</u>
<b>Gross profit</b>		<b>392,278</b>	373,091
Other income and gains	3	25,467	19,015
Selling and distribution expenses		(78,931)	(72,262)
Administrative expenses		(54,195)	(53,736)
Research and development costs		(29,960)	(28,145)
Other expenses		(8,350)	(9,605)
Finance costs	4	(225)	(154)
Share of losses of an associate		<u>(20,493)</u>	<u>(17,122)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>225,591</b>	211,082
Income tax expense	6	<u>(53,765)</u>	<u>(45,391)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>171,826</b></u>	<u>165,691</u>
Attributable to:			
Owners of the parent		171,661	166,646
Non-controlling interests		<u>165</u>	<u>(955)</u>
		<u><b>171,826</b></u>	<u>165,691</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
- basic, for profit for the period		<u><b>RMB0.11456</b></u>	<u>RMB0.11127</u>
- diluted, for profit for the period		<u><b>RMB0.11429</b></u>	<u>RMB0.11085</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited) RMB'000</b>	<b>2021 (Unaudited) RMB'000</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>171,826</u></b>	<b><u>165,691</u></b>
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(3,913)</b>	3,005
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<b>9,273</b>	(1,319)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>5,360</u></b>	<b><u>1,686</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u><u>177,186</u></u></b>	<b><u><u>167,377</u></u></b>
Attributable to:		
Owners of the parent	<b><u>177,021</u></b>	168,332
Non-controlling interests	<b><u>165</u></b>	<u>(955)</u>
	<b><u><u>177,186</u></u></b>	<b><u><u>167,377</u></u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		403,822	356,930
Right-of-use assets		110,330	110,755
Construction in progress		673,665	675,201
Goodwill		241,158	241,158
Other intangible assets		284,935	287,013
Investment in an associate		66,757	87,250
Loan to an associate		50,961	50,110
Long-term prepayments		-	14,356
Deferred tax assets		6,261	5,749
		1,837,889	1,828,522
<b>CURRENT ASSETS</b>			
Inventories	9	190,065	203,476
Trade and notes receivables	10	306,036	346,778
Prepayments, other receivables and other assets		55,536	80,591
Financial assets at fair value through profit or loss		255,330	208,184
Cash and bank balances		601,576	577,744
		1,408,543	1,416,773
Assets held for sale		37,856	94,263
		1,446,399	1,511,036
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	11	108,740	143,212
Other payables and accruals		363,481	490,521
Interest-bearing bank and other borrowings		24,292	21,013
Lease liabilities		1,033	980
Income tax payable		19,891	15,498
Other liabilities, current		25,880	25,880
		543,317	697,104
NET CURRENT ASSETS		903,082	813,932
TOTAL ASSETS LESS CURRENT LIABILITIES		2,740,971	2,642,454

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

	<b>30 June 2022</b>	31 December 2021
<i>Notes</i>	<b>(Unaudited) RMB'000</b>	(Audited) <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Other liabilities, non-current	<b>175,461</b>	175,595
Government grants	<b>600</b>	600
Lease liabilities	<b>995</b>	1,527
Deferred tax liabilities	<b>73,880</b>	66,871
	<hr/>	<hr/>
Total non-current liabilities	<b>250,936</b>	244,593
	<hr/>	<hr/>
<b>Net assets</b>	<b>2,490,035</b>	2,397,861
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>80,382</b>	80,370
Reserves	<b>2,392,341</b>	2,300,344
	<hr/>	<hr/>
	<b>2,472,723</b>	2,380,714
	<hr/>	<hr/>
Non-controlling interests	<b>17,312</b>	17,147
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,490,035</b>	2,397,861
	<hr/>	<hr/>

## **NOTES:**

### **1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

#### **1.1 Corporate and Group Information**

Dawnrays Pharmaceutical (Holdings) Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at Units 3001-02, 30/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) underwent a reorganization on 21 June 2003 to rationalize the Group’s structure in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), pursuant to which the Company became the holding company of the Group (the “Group Reorganization”).

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2003.

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceuticals, bulk medicines and finished drugs. It also invests in a joint venture to research and develop biopharmaceutical products and technologies. In the opinion of the Directors, Fortune United Group Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

#### **1.2 Basis of preparation**

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 (collectively defined as the “interim financial information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 26 August 2022.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) as issued by the International Accounting Standards Board (“IASB”).

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

### 1.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised standards effective as of 1 January 2022 for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The adoption of the above revised IFRSs has had no significant financial effect on these financial statements.

## 2. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable segments as follows:

- a) Manufacture and sale of intermediates and bulk medicines (the “intermediates and bulk medicines” segment)
- b) Manufacture and sale of finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the “finished drugs” segment)

Management monitors the operating results of these operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, government grants, dividend income, fair value gains/losses from the Group's financial instruments, share of losses of an associate, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and bank balances, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 2. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating segment for the period:

<b>Six months ended</b>	<b>Finished</b>	<b>Intermediates and</b>	<b>Elimination of</b>	
<b>30 June 2022 (unaudited)</b>	<b>drugs</b>	<b>bulk medicines</b>	<b>intersegment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>sales</b>	<b>RMB'000</b>
			<b>RMB'000</b>	
<b>Segment Revenue:</b>				
Sales to external customers	568,544	54,934	-	623,478
Intersegment sales	-	36,008	(36,008)	-
	<u>568,544</u>	<u>90,942</u>	<u>(36,008)</u>	<u>623,478</u>
<b>Segment Results</b>	<b>300,545</b>	<b>(9,349)</b>	<b>-</b>	<b>291,196</b>
<i>Reconciliation:</i>				
Unallocated gains				24,811
Corporate and other unallocated expenses				(90,234)
Finance costs (other than interest on lease liabilities)				(182)
Profit before tax				<u>225,591</u>
<b>Six months ended</b>	<b>Finished</b>	<b>Intermediates and</b>	<b>Elimination of</b>	
<b>30 June 2021 (unaudited)</b>	<b>drugs</b>	<b>bulk medicines</b>	<b>intersegment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>sales</b>	<b>RMB'000</b>
			<b>RMB'000</b>	<b>RMB'000</b>
<b>Segment Revenue:</b>				
Sales to external customers	531,119	77,470	-	608,589
Intersegment sales	-	28,305	(28,305)	-
	<u>531,119</u>	<u>105,775</u>	<u>(28,305)</u>	<u>608,589</u>
<b>Segment Results</b>	<b>286,201</b>	<b>(979)</b>	<b>-</b>	<b>285,222</b>
<i>Reconciliation:</i>				
Unallocated gains				17,247
Corporate and other unallocated expenses				(91,276)
Finance costs (other than interest on lease liabilities)				(111)
Profit before tax				<u>211,082</u>



## 2. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's assets by operating segment:

<b>As at 30 June 2022 (unaudited)</b>	<b>Finished drugs RMB'000</b>	<b>Intermediates and bulk medicines RMB'000</b>	<b>Total RMB'000</b>
<b>Segment Assets:</b>	<b>934,464</b>	<b>929,614</b>	<b>1,864,078</b>
<i>Reconciliation:</i>			
Assets held for sale	-	37,856	37,856
Corporate and other unallocated assets			<u>1,382,354</u>
Total assets			<u><u>3,284,288</u></u>
<b>As at 31 December 2021 (audited)</b>	<b>Finished drugs RMB'000</b>	<b>Intermediates and bulk medicines RMB'000</b>	<b>Total RMB'000</b>
<b>Segment Assets:</b>	<b>924,331</b>	<b>1,141,107</b>	<b>2,065,438</b>
<i>Reconciliation:</i>			
Assets held for sale	-	94,263	94,263
Corporate and other unallocated assets			<u>1,179,857</u>
Total assets			<u><u>3,339,558</u></u>

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited) RMB'000</b>	<b>2021 (Unaudited) RMB'000</b>
<b>Revenue</b>		
Revenue from contracts with customers	<u><u>623,478</u></u>	<u><u>608,589</u></u>

### 3. REVENUE, OTHER INCOME AND GAINS (continued)

#### Revenue from contracts with customers

Disaggregated revenue information

#### For the six months ended 30 June 2022

<u>Segments</u>	Finished drugs RMB'000	Intermediates & bulk medicines RMB'000	Total RMB'000
<b>Type of goods or services</b>			
Sale of pharmaceutical goods	568,523	54,779	623,302
Rendering of pilot test services	21	155	176
Total revenue from contracts with customers	<u>568,544</u>	<u>54,934</u>	<u>623,478</u>
<b>Geographical markets</b>			
Mainland China	566,773	39,768	606,541
Other countries	1,771	15,166	16,937
Total revenue from contracts with customers	<u>568,544</u>	<u>54,934</u>	<u>623,478</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	568,523	54,779	623,302
Services transferred over time	21	155	176
Total revenue from contracts with customers	<u>568,544</u>	<u>54,934</u>	<u>623,478</u>

#### For the six months ended 30 June 2021

<u>Segments</u>	Finished drugs RMB'000	Intermediates & bulk medicines RMB'000	Total RMB'000
<b>Type of goods or services</b>			
Sale of pharmaceutical goods	531,119	74,985	606,104
Rendering of pilot test services	-	2,485	2,485
Total revenue from contracts with customers	<u>531,119</u>	<u>77,470</u>	<u>608,589</u>
<b>Geographical markets</b>			
Mainland China	527,962	47,171	575,133
Other countries	3,157	30,299	33,456
Total revenue from contracts with customers	<u>531,119</u>	<u>77,470</u>	<u>608,589</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	531,119	74,985	606,104
Services transferred over time	-	2,485	2,485
Total revenue from contracts with customers	<u>531,119</u>	<u>77,470</u>	<u>608,589</u>

### 3. REVENUE, OTHER INCOME AND GAINS *(continued)*

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>Other income</b>		
Bank interest income	9,017	9,600
Dividend income from financial assets at fair value through profit or loss	13	375
Government grants	10,917	3,555
Others	1,358	1,124
	<u>21,305</u>	<u>14,654</u>
<b>Gains</b>		
Gain on sales of scrapped materials	183	836
Financial assets at fair value through profit or loss gains, net	3,979	3,525
	<u>25,467</u>	<u>19,015</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest on discounted notes receivable	182	111
Interest on lease liabilities	43	43
	<u>225</u>	<u>154</u>

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited) RMB'000</b>	<b>2021 (Unaudited) RMB'000</b>
Cost of inventories sold*	<b>231,209</b>	235,498
Depreciation of property, plant and equipment	<b>22,446</b>	23,805
Depreciation of right-of-use assets**	<b>1,579</b>	1,626
Research and development costs	<b>29,960</b>	28,145
Lease payments not included in the measurement of lease liabilities	<b>445</b>	512
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	<b>63,706</b>	62,107
Retirement benefits	<b>5,056</b>	4,480
Accommodation benefits	<b>2,778</b>	2,518
Other benefits	<b>9,675</b>	8,973
Equity-settled share option cost (reversal)/expense	<b>(5,865)</b>	2,242
	<b>75,350</b>	80,320
Foreign exchange differences, net***	<b>3,346</b>	169
Write-down of inventories to net realizable value***	<b>2,529</b>	4,699
Write-off of obsolete stocks***	<b>1,399</b>	4,318
Bank interest income	<b>(9,017)</b>	(9,600)
Loss/(gain) on disposal of items of property, plant and equipment	<b>434</b>	(34)
Financial assets at fair value through profit or loss gains, net	<b>(3,979)</b>	(3,525)

\* The depreciation of RMB15,025,000 (2021: RMB16,502,000) for the period is included in "Cost of sales".

\*\* The depreciation of right-of-use assets for the period is included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

\*\*\* These expenses for the period are included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.

## 6. INCOME TAX

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current income tax		
Current income tax charge	39,801	36,266
Adjustments in respect of current income tax in previous years	275	460
Deferred income tax	13,689	8,665
Total tax charge for the period	<u>53,765</u>	<u>45,391</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period. Taxation for the subsidiaries in Mainland China is calculated on the estimated assessable profits for the period at the rates of tax prevailing in the locations in which the Group's subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

## 7. DIVIDENDS

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Dividend pertaining to the prior year declared in the six months ended 30 June:		
Final – HK\$0.065 (2020: HK\$0.05) per ordinary share	79,370	62,657
Special – Nil (2020: HK\$0.05) per ordinary share	-	62,657
Interim – HK\$0.015*(2021: HK\$0.015) per ordinary share	<u>19,602</u>	<u>18,726</u>

- \* On 26 August 2022, the Company declared an interim dividend for the year ending 31 December 2022, at HK\$0.015 per share, amounting to a total sum of approximately HK\$22,480,000 (approximately equivalent to RMB19,602,000).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of 1,498,451,000 shares (2021: 1,497,633,000 shares) in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share is as follows:

### (a) Earnings per share—basic

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB'000)	171,661	166,646
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	1,498,451	1,497,633
Earnings per share – basic (RMB)	0.11456	0.11127

### (b) Earnings per share—diluted

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB'000)	171,661	166,646
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	1,498,451	1,497,633
Effect of dilution – weighted average number of ordinary shares:		
Share options ('000)	3,474	5,665
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	1,501,925	1,503,298
Earnings per share – diluted (RMB)	0.11429	0.11085

## 9. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	89,537	79,242
Work in progress	52,681	55,184
Finished goods	52,769	73,071
	194,987	207,497
Less:provision	(4,922)	(4,021)
	190,065	203,476

## 10. TRADE AND NOTES RECEIVABLES

An ageing analysis of the trade receivables and notes receivable as at 30 June 2022, based on invoice date and net of loss allowance, is as follows:

	<b>30 June 2022 (Unaudited) RMB'000</b>	31 December 2021 (Audited) RMB'000
Trade receivables		
Outstanding balances with ages:		
Within 90 days	<b>133,393</b>	162,417
Between 91 and 180 days	<b>15,734</b>	11,717
Between 181 and 270 days	<b>2,937</b>	3,368
Between 271 and 360 days	<b>1,001</b>	1,388
Over one year	<b>3,680</b>	1,127
	<b>156,745</b>	180,017
Notes receivable	<b>149,291</b>	166,761
	<b>306,036</b>	346,778

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for major customers.

## 11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade payables and notes payable as at 30 June 2022 is as follows:

	<b>30 June 2022 (Unaudited) RMB'000</b>	31 December 2021 (Audited) RMB'000
Outstanding balances with ages:		
Within 90 days	<b>81,177</b>	65,220
Between 91 and 180 days	<b>26,359</b>	77,231
Between 181 and 270 days	<b>389</b>	215
Between 271 and 360 days	<b>101</b>	236
Over one year	<b>714</b>	310
	<b>108,740</b>	143,212

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values.

## CHAIRMAN’S STATEMENT

The board (the “Board”) of directors (the “Directors”) of Dawnrays Pharmaceutical (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “period”). These interim results have been reviewed by the audit committee of the Company.

### RESULTS

The Group recorded revenue of approximately RMB623,478,000 for the six months ended 30 June 2022 (2021: RMB608,589,000), representing an increase of 2.4% as compared to the same period of 2021. Profit attributable to owners of the parent was approximately RMB171,661,000 (2021: RMB166,646,000), representing an increase of approximately 3.0% compared to the same period of 2021. The increase in the profit for the period was mainly due to the increase in the sales of main products of finished drugs and the decrease in production costs.

### BUSINESS REVIEW

The first half of 2022 witnessed a complicated and gloomy international situation, with the geopolitical situation remaining tense, the US dollar fluctuating, many countries entering a cycle of interest rate hikes, and the overall market continuing to fluctuate. As a result, the world economic growth slowed down significantly, and the business environment encountered great challenges. During the period, the implementation of pandemic control measures in Mainland China to cope with the repeated outbreaks of COVID-19 has weakened consumer demand and hindered logistics and transportation. In addition to facing fierce competition in the industry, the Group also suffered the impact on production costs arising from the continuous rise in materials price and logistics costs. During the period, the construction progress of Suzhou Dawnrays Pharmaceutical Co., Ltd. Shanfeng Road Project and Lanzhou Dawnrays Pharmaceutical Co., Ltd. Project was once again affected by the pandemic control measures, but fortunately, the local government’s support protected the production arrangement of the relocation project from being greatly affected.

During the period, in the face of various difficulties in the external environment, the marketing department continued to tap into the terminal market to broaden the product coverage by making use of the product brand advantages and marketing resources. During the period, the actual supply volume of Entecavir Dispersible Tablets and Atorvastatin Calcium Tablets, which won bids in the national centralized procurement of drugs, remained at the peak, with their sales increasing as compared with the same period of 2021. As the sales price of Amlodipine Besylate Tablets (“Anneizhen (安内真)”) was affected by the centralized procurement of drugs, the sales amount of “Anneizhen” decreased as compared with the same period of last year, resulting in a 0.5% decrease in the overall sales of the “An” (安) series medicines. The overall sales of finished medicines still increased by 7.0% over the same period of last year.



During the period, in addition to the government's continuous strict control over the clinical use of antibiotics, there was a year-on-year decrease in domestic and export sales of cephalosporin intermediates, bulk medicines, powder for injection and oral preparations of the Group due to the decrease of patients in hospital following the flare-ups of COVID-19 and decrease in production caused by relocation projects. However, due to the implementation of stricter environmental protection policies in recent years, small and medium-sized bulk medicine enterprises with backward technology and substandard environmental protection have lost their low-cost advantages and been forced to exit the market, resulting in the reduction of the industry supply and enhancing the industry concentration. Bulk medicines entered the price increase channel, and both characteristic and bulk medicines show a distinct trend of price rise. Moreover, with cephalosporin products for injection have been covered in the centralized procurement program, and the new factory of Suzhou Dawnrays Pharmaceutical Co., Ltd. on Shanfeng Road and the Lanzhou Dawnrays Pharmaceutical Co., Ltd. Project are to be completed and put into production, under the premise of quality assurance and cost control, the prospect of bulk medicines will be optimistic.

In order to strengthen its competitive edges, the Group has strictly monitored procurement to control production costs, and has also rectified its marketing policies and operations, and strengthened product tracking and sales channel management. It also employed an external professional team to provide advice on improving the Group's corporate governance and operational efficiency, so as to enhance the Group's competitiveness and sustainable development. During the period, the Group's gross profit increased by 5.1% over the same period of last year.

In terms of research and development, the Group closely adheres to national policies and the Company's development. The negotiation of medical insurance catalogues and centralized procurement of drugs are essentially the control of medical insurance costs, which forces pharmaceutical enterprises to conduct innovation. For this purpose, Suzhou Dawnrays Pharmaceutical Co., Ltd. established the Advanced Technology Research Institute in June 2022 as an innovation carrier, which, on the one hand, absorbed external resources and attracted university expert teams or other expert teams to settle in the Research Institute, and on the other hand, optimized the R&D resources within the Group and integrated the R&D teams of Suzhou Dawnrays Pharmaceutical Co., Ltd., Fujian Dawnrays Pharmaceutical Co., Ltd., Lanzhou Dawnrays Pharmaceutical Co., Ltd. and Nanjing PharmaRays Science and Technology Co., Ltd.. The ultimate goal is to integrate internal and external resources of the Group, build a brand-new drug R&D and information sharing center of the Group, gradually expand the high-end R&D system and innovative drug R&D system based on the generic drug R&D system, and transform to an innovative drug enterprise step by step.

During the period, Phase III and Phase I clinical work was carried out respectively for clinical trials for Class I new drug registration of monoclonal antibody agent ebronucimab (PCSK9 monoclonal antibody) (AK102) (proposed to be used for lowering cholesterol levels) and AK109 (VEGFR2 monoclonal antibody) (proposed to be used for treating gastric cancer, lung cancer and rectal cancer), both of which are monoclonal antibody agents developed by AD Pharmaceuticals Co., Ltd. ("AD Pharmaceuticals"), a joint venture enterprise established by the Group. The China-Singapore Guangzhou Knowledge City Base of AD Pharmaceuticals was put into production in May 2022, with a production capacity of 8,000L, which makes preparations for product commercialization in the future and also indicates that the development of AD Pharmaceuticals has entered a new level.

To sum up, based on the Group's long-term strategy of focusing on building a specific medicine product line with excellent quality and precise efficacy and its stable finance, the market advantages of the products, the duly adjusted sales strategies and strengthened internal management have helped improve the operational efficiency and enabled the Group to maintain stable business development and achieved year-on-year growth in both revenue and profit despite the extremely fierce market competition during the period.

## **PROSPECT**

Although the COVID-19 pandemic and the international situation are still quite uncertain in the short term, the central government will expand the centralized procurement of medicines and medical consumables in a stable and orderly manner, which covers very wide and deep market capacity. Therefore, continuously improving the competitiveness of its products and the bid winning capabilities is the strategic goal that the Group has been striving to achieve in recent years. Besides, the Group is also committed to improving its comprehensive organizational capacity, enhancing the quality of assets and operations. In particular, the comprehensive planning in the three aspects of R&D, production and marketing is conducive to the Group's sustainable operation and participation in competitions in various end markets.

Therefore, the Group reorganized its structure in July 2022. After Dawnrays International Company Limited, a subsidiary of the Group, had acquired 3.125% of the shares of Lanzhou Dawnrays Pharmaceutical Co., Ltd. held by Xiangbei Welman Pharmaceutical Co., Ltd. (湘北威爾曼製藥股份有限公司) with USD1,291,490, she transferred 100% of the shares of Fujian Dawnrays pharmaceutical Co., Ltd. and Lanzhou Dawnrays Pharmaceutical Co, Ltd. to Suzhou Dawnrays Pharmaceutical Co., Ltd., a subsidiary of the Group, respectively, to establish the domestic Suzhou Dawnrays headquarters of the group company. The purpose of this internal reorganization is to optimize its organizational structure, enhance its operational efficiency, facilitate unified management and control, and further strengthen corporate governance which can boost the Group to achieve multiplied benefits. It will also help the Group win bids in the future national centralized procurement of drugs, further develop the brand of "Dawnrays Pharmaceutical", facilitate the Group's international development, and create a reasonable return on investment for shareholders of the Company.

## **INTERIM DIVIDEND**

The Board resolved to declare an interim dividend of HK\$0.015 per share for the year ending 31 December 2022, approximately amounting to a total sum of HK\$22,480,000 (equivalent to approximately RMB19,602,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

In the post-pandemic era in the first half of 2022, the COVID-19 pandemic has become the new normal. The domestic economy underwent some setbacks in the first half of the year, but the pharmaceutical industry still maintained a high degree of market prosperity. During the period, the flare-ups of the pandemic in Shanghai and Suzhou led to the increase in the cost of raw materials and transportation, which had certain impact on the Group's operations. However, the marketing management personnel have positively cooperated with the national centralized procurement of drugs, duly adjusted the Group's product marketing strategy, mobilized resources, deeply tapped into the existing market and actively explored new and blank markets, so as to ensure the sustainable and stable growth of the Group's sales. With the joint efforts of all employees, overall sales in the first half of the year increased by 2.4% as compared with the same period of last year, among which: There was a year-on-year decrease of 1.0% in the sales volume and a decrease of 0.5% in the sales of the anti-hypertensive drug in “An” (安) series medicines as compared with the same period of 2021; there was a year-on-year increase of 26.5% in the sales volume and an increase of 19.4% in the sales of Fujian Dawnrays series medicines which are mainly to treat hyperlipidemia; there was a year-on-year decrease of 3.3% in the sales volume and an increase of 1.8% in the sales of “Xikewei” (西可韋) and “Xikexin” (西可新), both of which are anti-allergic drugs; there was a year-on-year increase of 12.4% in the sales volume and an increase of 22.6% in the sales of Entecavir Dispersible Tablets. Continuously affected by the outbreak of the pandemic, there was a year-on-year decrease of 46.0% in the sales volume and a decrease of 29.1% in the sales of cephalosporin intermediates and bulk medicines as compared with the same period of 2021.

## PRODUCT RESEARCH AND DEVELOPMENT

In the first half of the year, the Group was preparing to establish the “Advanced Technology Research Institute of Suzhou Dawnrays Pharmaceutical” to coordinate with and manage the technical R&D teams of various subsidiaries under Dawnrays Group, integrate the technical forces in the R&D of generic drugs and new drugs, and improve the Group's R&D level. In the meantime, the Institute will become a cooperation platform for the Group to introduce new drug research and development. The Group will continue investing more resources in R&D and innovation of production technology and products, and seek various cooperation opportunities externally so as to optimize product mix and profitability foundation.

## CONSISTENCY EVALUATION

As at 30 June 2022, according to statistics by product specifications, the Group conducted quality and efficacy research on 32 varieties, with the applications for 11 varieties (Entecavir Dispersible Tablets (0.5mg), Amlodipine Besylate Tablets (5mg), Levocetirizine Dihydrochloride Tablets (5mg), Cetirizine Hydrochloride Tablets (10mg), Metformin Hydrochloride Tablets (250mg), Azithromycin Tablets (250mg), Amlodipine Besylate Tablets (2.5mg), Clarithromycin Tablets (250mg), Telmisartan Tablets (80mg), Cefprozil Tablets (250mg) and Losartan Potassium and Hydrochlorothiazide Tablets (50mg/12.5mg)) approved. The applications for consistency evaluation for 7 varieties have been submitted to the Center for Drug Evaluation, NMPA. Moreover, clinical trial on bioequivalence (BE) of 2 varieties and pharmaceutical research into 12 varieties are ongoing.

## **PROJECT CONSTRUCTION**

During the period, one workshop in the new factory on Shanfeng Road has been put into operation; Lanzhou Dawnrays Pharmaceutical Co., Ltd. Project has been basically completed and will be put into production in the second half of the year; the improvements of the headquarters of Suzhou Dawnrays Pharmaceutical Co., Ltd. on Minfeng Road have been completed and the Suzhou headquarters relocation ceremony was held.

## **OTHER MATTERS**

The Group continuously adhered to the management policy of quality first, and further improved its product quality. Work in terms of corporate governance and focusing on social responsibility was also promoted in an orderly manner, and the safety, environmental protection and pandemic control work was continuously improved. Employee training and corporate culture construction were actively carried out to increase employees' sense of belonging and further enhance their cohesion.

## **NEW PRODUCTS AND PATENT LICENSING**

- (1) During the period, the Group obtained a total of 11 approvals for 9 varieties, including 2 approvals for supplementary applications (consistency evaluation); 2 supplementary application approvals according to the approval opinions; and 5 supplementary application approvals for extending the validity period.
- (2) During the period, the Group applied to the Center for Drug Evaluation, NMPA for the registration of a total of 6 varieties, including one Class 4 chemical medicine, supplementary applications (consistency evaluation) for 2 varieties, and clinical research for 3 varieties.
- (3) There are currently 13 varieties under evaluation in the Center for Drug Evaluation.
- (4) During the period, the Group obtained the following patent certificate:

On 25 February 2022, a national invention patent certificate (Patent No.: ZL202110257891.9) was granted for “the preparation method for a kind of cefotaxime sodium”.

## **HONORS AWARDED TO THE GROUP**

- (1) In January 2022, Fujian Dawnrays Pharmaceutical Co., Ltd. was granted the “First Prize for Enterprises with Outstanding Economic Contribution in 2021” by the CPC Committee of Licheng District and the People’s Government of Licheng District.
- (2) In March 2022, Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated as "Top 30 Enterprises for Tax Contribution in 2021" and "Leading Enterprise for Green Development in 2021" by Wuzhong District People's Government of Suzhou City.
- (3) In June 2022, Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the certificate of "Model List for Corporate Social Responsibility Construction in Jiangsu Province in 2020" by the Jiangsu Provincial Corporate Social Responsibility Construction Coordination and Steering Group.

# FINANCIAL REVIEW

## SALES AND GROSS PROFIT

For the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB623,478,000, representing an increase of 2.4%, compared with that of RMB608,589,000 during the corresponding period of last year. Of which, sales of finished drugs was RMB568,544,000, representing an increase of sales amount of RMB37,425,000, or 7.0% as compared with corresponding period of last year; sales of intermediates and bulk medicines was RMB54,934,000, representing a decrease of RMB22,536,000, or 29.1% as compared with corresponding period of last year.

Finished drugs comprise system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-form of antibiotics. Taking into account of the total turnover, sales amount of finished drugs was approximately 91.2%, representing an increase of 3.9 percentage points as compared with last year, of which, sales amount of system specific medicines accounted for approximately 95.3% of sales of finished drugs.

Due to the impact of the global outbreak of COVID-19 and the relocation of factory of Suzhou Dawnrays Pharmaceutical Co., Ltd. located on Tianling Road and Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., export sales during the period amounted to RMB16,937,000, accounted for approximately 2.7% of the total turnover, representing a decrease of 49.4% as compared with corresponding period of last year. The export destinations mainly included countries such as Pakistan, Vietnam and Singapore etc.

Gross profit was approximately RMB392,278,000, which was increased by RMB19,187,000 or 5.1% as compared with the corresponding period of last year. Gross profit margin was 62.9%, which was increased by 1.6 percentage points as compared with 61.3% as in the corresponding period of last year. It was mainly due to impact of increase in gross profit of Entecavir and Fujian Dawnrays series medicines.

### TABLE OF TURNOVER ANALYSIS – by product category

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	For the six months ended 30 June			For the six months ended 30 June		Percentage points changes
	2022	2021	Changes	2022	2021	
Finished Drugs	<b>568,544</b>	531,119	37,425	<b>91.2</b>	87.3	3.9
Intermediates and Bulk Medicines	<b>54,934</b>	77,470	-22,536	<b>8.8</b>	12.7	-3.9
Overall	<b>623,478</b>	608,589	14,889	<b>100.0</b>	100.0	0.0

## **EXPENSES**

During the period, the total expenses incurred were approximately RMB171,661,000, equivalent to 27.5% of turnover (2021: 26.9%), an increase of 0.6 percentage points as compared with the same period of last year. The total expenses increased by approximately RMB7,759,000 as compared with the same period of last year. Among them, selling and distribution expenses were RMB78,931,000 and increased by RMB6,669,000 as compared with the corresponding period of last year. The increase was mainly attributed to the increase in marketing expenses for the development of retail markets. The administrative expenses were RMB54,195,000 which kept stable compared with last year. Research and development expenses were RMB29,960,000 which was increased by RMB1,815,000 as compared with the corresponding period of last year. Other expenses was RMB8,350,000, a decrease of RMB1,255,000 as compared with the corresponding period of last year.

## **SEGMENT PROFIT**

For the six months ended 30 June 2022, the segment profit of finished drugs segment was approximately RMB300,545,000, which was increased by approximately RMB14,344,000 when compared with the segment profit of RMB286,201,000 as in the first half of 2021. The segment loss of intermediates and bulk medicines segment was approximately RMB9,349,000, which was increased by approximately RMB8,370,000 when compared with the loss of RMB979,000 as in the first half of 2021 mainly due to the impact of output reduction caused by relocation of factory of Suzhou Dawnrays Pharmaceutical Co., Ltd. located on Tianling Road.

## **INTERESTS AND RIGHTS IN ASSOCIATE**

Dawnrays Biotechnology Capital (Asia) Ltd., a subsidiary of the Group, invested RMB185,000,000 for 35% interest of AD Pharmaceuticals Co., Ltd. (“AD Pharmaceuticals”). During the period, AD Pharmaceuticals was still conducting Phase III clinical trials for AK102, a monoclonal antibody agent and Phase I clinical trials for AK109, a monoclonal antibody agent and her industrialization base of China-Singapore Guangzhou Knowledge City has completed and put into operation. As at 30 June 2022, the unsecured interest-bearing loan provided by the Group to AD Pharmaceuticals and interest outstanding balance totaled RMB50,961,000 (31 December 2021: RMB50,110,000) and the Group shared, in proportion to the investment percentage, an investment loss of approximately RMB20,493,000 (2021: RMB17,122,000).

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

For the six months ended 30 June 2022, profit attributable to owners of the parent amounted to approximately RMB171,661,000, representing an increase of RMB5,015,000 or 3.0% as compared with the corresponding period of last year. The increase was mainly attributed to the increase in gross profit of Entecavir and also the contribution improvement of Fujian Dawnrays series medicines.

## **ANALYSIS ON THE RETURN ON ASSETS**

As at 30 June 2022, net assets attributable to owners of the parent were approximately RMB2,472,723,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 6.9% (2021: 7.6%). The current ratio and quick ratio was 2.7 and 2.3 respectively. Turnover days for trade receivables were approximately 49 days. Turnover days for accounts receivable including trade and notes receivables were approximately 94 days. The turnover days for accounts receivable has decreased 4 days as compared with the corresponding period of last year. This was mainly due to the increase in the proportion of centralized procurement products with fast collection cycles. Turnover days for inventory were approximately 153 days, a decrease of 22 days as compared with the corresponding period of last year. This was mainly due to the decrease of bulk medicines stock.

## **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

As at 30 June 2022, the Group had financial assets at fair value through profit or loss (comprising of certain listed shares investments) including:

- (i) invested in certain Hong Kong public listed shares amounted approximately RMB8,333,000 (31 December 2021: approximately RMB6,933,000);
- (ii) invested in one-year to three-year bonds issued by China Development Bank amounted approximately RMB30,636,000 (31 December 2021: RMB40,463,000);
- (iii) purchased certain structured deposits of floating income principal-preservation type with annual interest rate from 1.3% to 3.7% of approximately RMB215,000,000 (31 December 2021: RMB160,000,000) from six good credit worth banks in China. The expected yield would be approximately RMB1,361,000 in total. The structured deposits were relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board believes that the investment in aforementioned structured deposits can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group.

The above mentioned financial assets at fair value through profit or loss amounted to approximately RMB255,330,000 (31 December 2021: approximately RMB208,184,000), representing approximately 7.8% (31 December 2021: 6.2%) of the total assets of the Group. For the period ended 30 June 2022, the Group recorded net gain of approximately RMB3,979,000 (2021: RMB3,525,000) on the financial assets at fair value through profit or loss. The Board believes that investing in equity investments and financial assets can diversify the Group's investment portfolio and achieve better returns in the future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2022, the Group held cash and bank balances of approximately RMB601,576,000 (as at 31 December 2021: RMB577,744,000). Financial assets at fair value through profit or loss amounted to approximately RMB255,330,000 (as at 31 December 2021: approximately RMB208,184,000). Holding notes receivable amounted to RMB149,291,000 (as at 31 December 2021: RMB166,761,000).

During the period, the net cash flows from operating activities was approximately RMB269,303,000 (2021: RMB153,202,000). Net cash flows used in investing activities was approximately RMB249,113,000 (2021: RMB111,237,000). Net cash flows used in financing activities was approximately RMB76,573,000 (2021: RMB120,622,000). Cash and cash equivalents decreased by approximately RMB56,383,000 (2021: RMB78,657,000).

As at 30 June 2022, the Group had aggregate bank facilities of approximately RMB1,270,000,000 (as at 31 December 2021: RMB1,100,000,000). As at 30 June 2022, the Group's interest-bearing bank and other borrowings was RMB24,292,000 (as at 31 December 2021: RMB21,013,000), consisted of undue discounted notes receivable. As at 30 June 2022, the debt ratio (defined as sum of interest-bearing bank and other borrowings over total assets) of the Group was 0.7% (as at 31 December 2021: 0.6%). The above mentioned bank and other borrowings' interest rate were fixed ranging from 1.0% to 1.7%.

As at 30 June 2022, the Group had inventory balance approximately RMB190,065,000 (as at 31 December 2021: RMB203,476,000).

## **SIGNIFICANT INVESTMENT AND ASSETS CHANGES**

The registered capital of Lanzhou Dawnrays Pharmaceutical Co., Ltd., the Group's production base for bulk medicines and intermediates, was increased from USD50,000,000 to USD80,000,000 in May 2022 of which the Group has 96.875% of share interest and Xiangbei Welman Pharmaceutical Co., Ltd. (湘北威爾曼製藥股份有限公司) has 3.125% of share interest. During the period, Dawnrays International Company Limited increased its investment by USD18,750,000, with a cumulative investment of USD47,500,000. As of 30 June 2022, Lanzhou Dawnrays Pharmaceutical Co., Ltd. had an aggregated paid-up registered capital of USD48,753,059. The project covers an area of 250 mu. The main products are cephalosporin bulk medicines and intermediates, system specific bulk medicines, raw materials of enzyme inhibitors, and raw materials of health supplements. The funds of RMB430,000,000 are planned to be invested in the project. According to the schedule, it will be completed and put into production in the second half of this year.

As a result of the planning adjustment of Yangkou Chemical Industrial Park of Rudong County People's Government of Nantong City, Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., a subsidiary of the Group, signed a relocation compensation agreement with the local government on 30 December 2019, pursuant to which Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. terminated its production in January 2021 and is in the stage of handling land handover procedures with the local government. The expected relocation receipt will be RMB35,000,000.

Due to the urban planning adjustment of Wuzhong Economic Development District by Suzhou Municipal People's Government, whole entity of factory of Suzhou Dawnrays Pharmaceutical Co., Ltd. located on Tianling Road will be relocated to Wusongjiang Chemical Industrial Park in Wuzhong Economic Development Zone. Suzhou Dawnrays Pharmaceutical Co., Ltd. entered into the Relocation Compensation Agreement with the government where it operates on 20 December 2017. Both parties agreed the relocation compensation amount was approximately RMB351,200,000. As at the end of June 2022, Suzhou Dawnrays Pharmaceutical Co., Ltd. had received relocation compensation of RMB175,595,000. The funds of RMB450,000,000 are planned to be invested in the project. Currently, the solvent recovery workshop has been put into operation, and the bulk medicine workshop will be completed and put into operation in the second half of this year.

As at 30 June 2022, there was no sign of impairment of goodwill of RMB241,158,000 generated from the acquisition of Top Field Limited and its subsidiary, Fujian Dawnrays Pharmaceutical Co., Ltd.



On 26 January 2022, Dawnrays International Company Limited and Suzhou Rongxin Construction Development Co., Ltd. entered into a sale and purchase agreement in respect of the disposal of 35% of equity interest in Su Zhou Xinshen Pharmaceutical Science and Technology Co., Ltd. (formerly known as Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd.) for a consideration of approximately RMB55,600,000, further details of which were set out in the Company's announcement dated 26 January 2022. Transaction was completed during the period and the loss on disposal was approximately RMB75,000.

As at 30 June 2022, the Group's contracted but not provided for plant and machinery capital commitments amounted to approximately RMB120,681,000 (as at 31 December 2021: RMB239,908,000), which mainly related to investments in the project of Lanzhou Dawnrays Pharmaceutical Co., Ltd. and the relocation project of Suzhou Dawnrays Pharmaceutical Co., Ltd.

Save as aforesaid disclosure, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the period.

The Group has sufficient financial and internal resources, but still may finance aforesaid capital expenditure with bank borrowing(s) or the Group's internal resources.

## **FOREIGN EXCHANGE AND TREASURY POLICIES**

For the period ended 30 June 2022, the Group recorded an exchange loss of RMB3,346,000 (2021: RMB169,000) due to the fluctuation of RMB exchange rate. During the period, the Group's substantial business activities, assets and liabilities are denominated in Renminbi, so the risk derived from the foreign exchange is not high. However, the Group pays dividends in Hong Kong dollars. Therefore, foreign exchange risk is mainly related to the Hong Kong dollar.

The treasury policy of the Group is to manage any risk of foreign exchange or interest rate (if any), only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

## **STAFF AND REMUNERATION POLICY**

As at 30 June 2022, the Group employed 1,058 employees and the total remuneration during the period was approximately RMB75,350,000 (2021: RMB80,320,000). It was mainly due to reversal of equity-settled share option cost of approximately RMB5,865,000 after staff dismissal. The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

## **CHARGES ON ASSETS**

As at 30 June 2022, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2021: nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group had no material contingent liabilities.

## **PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING**

Save for those disclosed above in connection with capital commitments under the section “Significant Investment and Assets Changes” and increase of registered capital, capital investment for relocation plans as mentioned in the Annual Report 2017, the Group does not have any plan for significant investments or acquisition of capital assets.

## **EVENT AFTER THE REPORTING PERIOD**

In July 2022, Dawnrays International Company Limited, through friendly negotiation, acquired 3.125% of the paid-up equity interest of Lanzhou Dawnrays Pharmaceutical Co., Ltd held by Xiangbei Welman Pharmaceutical Co., Ltd. for USD1,291,490.

In order to integrate the resources of the Group, improve the brand awareness of “Dawnrays Pharmaceutical”, and form a brand synergy to adapt to the ever-changing market environment and bidding requirements, the Group established the domestic Suzhou Dawnrays headquarters of the group company and the investor of Fujian Dawnrays Pharmaceutical Co., Ltd. and Lanzhou Dawnrays Pharmaceuticals Co., Ltd. was changed from Dawnrays International Company Limited to Suzhou Dawnrays Pharmaceutical Co., Ltd.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 June 2022, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

To the best knowledge, information and belief of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the “Listing Rules”) during the six months period ended 30 June 2022. Except for the following deviation:

### **1. Code Provision C.1.6 of the CG Code - Attendance of Non-executive directors at general meeting**

The code provision C.1.6 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the view of shareholders. All directors except Mr. Lo Tung Sing Tony (“Mr. Lo”), an independent non-executive director could not attend due to his other business commitment, attended the annual general meeting of the Company held on 27 May 2022 (the “AGM”). The views of shareholders had been reported to Mr. Lo after the AGM.

## **RESIGNATION OF DIRECTOR AND APPOINTMENT OF CHIEF EXECUTIVE OFFICER**

Mr. Chen Shaojun resigned from his position as an executive director and the chief executive officer of the Company as well as other directorships and general manager at the subsidiary or associated company level of the Company with effect from 16 February 2022 due to intention to focus on his other business. Mr. Wu Weixian was appointed to act as the chief executive officer of the Company with effect from 16 February 2022. Details of the above change were set out in the announcement of the Company dated 16 February 2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code, throughout the six months period ended 30 June 2022.

## **AUDIT COMMITTEE**

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules to oversee the Group’s financial reporting system, risk management and internal control systems. As at the date of this announcement, the Audit Committee’s chairman was Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan were the committee’s members, all of them are independent non-executive directors of the Company.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2022 have been reviewed by the Audit Committee before making recommendation to the Board for approval.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 22 September 2022 to Friday, 23 September 2022 (both days inclusive), for the purpose of ascertaining entitlement to the Company’s interim dividend, during which period no transfer of shares will be registered.

The record date for the purpose of determining shareholders’ entitlement to the interim dividend is Friday, 23 September 2022. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 21 September 2022. Dividend warrants will be dispatched to shareholders on or about Wednesday, 5 October 2022.

## **APPRECIATION**

Meanwhile, I would like to take this opportunity to express my appreciation for the support to the Group from the Company's shareholders, directors and the Group's business partners, management personnel and all staff during the period.

By Order of the Board

**Dawnrays Pharmaceutical (Holdings) Limited**

**Li Kei Ling**

*Chairman*

Hong Kong, 26 August 2022

*As at the date of this announcement, the Board of the Company comprises two Executive Directors, namely Ms. Li Kei Ling and Mr. Hung Yung Lai; one Non-executive Director namely Mr. Leung Hong Man; and three Independent Non-executive Directors, namely Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan.*